

REBUTTAL TESTIMONY OF

MARCUS M. HARRIS

ON BEHALF OF

SOUTH CAROLINA ELECTRIC & GAS COMPANY

DOCKET NO. 2012-218-E

Q. PLEASE STATE YOUR FULL NAME AND BUSINESS ADDRESS.

A. My name is Marcus M. Harris and my business address is 1400 Lady Street, Columbia, South Carolina. I am Director of Power Marketing at South Carolina Electric & Gas Company (“SCE&G” or “Company”).

Q. DESCRIBE YOUR EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE.

A. I am a graduate of the University of South Carolina with a Bachelor of Science Degree in Engineering as well as a Master of Engineering degree. I am also a registered Professional Engineer in South Carolina. I began my career with SCE&G 21 years ago as a Student Assistant in the Transmission & Distribution organization. Since that time, I have been employed as Engineer in the Transmission & Distribution organization, Supervisor of Material Equipment and Standards, Power Marketer for Wholesale Power, Manager of the Metro Columbia Crew Quarters, and Manager of Operations Planning. My current position is Director of Power Marketing which I have held since 2008.

1 **Q. WHAT ARE YOUR DUTIES WITH SCE&G?**

2 A. As Director of SCE&G's Power Marketing group, I have
3 responsibility for all of the Company's activities in the FERC-regulated
4 wholesale power market. These activities include purchasing and selling
5 capacity and energy in transactions that range in length and complexity
6 from hourly, non-firm transactions with our utility neighbors to multi-year,
7 firm transactions with our municipal and electric membership cooperative
8 customers. In addition to consummating transactions, I am responsible for
9 all operational and regulatory compliance aspects of purchasing and selling
10 electric power in the wholesale electric markets.

11 **Q. HAVE YOU EVER TESTIFIED BEFORE THE PUBLIC SERVICE**
12 **COMMISSION OF SOUTH CAROLINA ("COMMISSION")?**

13 A. No. I have never testified before the Commission. However, I have
14 appeared before this Commission in one allowable ex parte communication
15 briefing concerning power supply issues.

16 **Q. WHAT IS THE PURPOSE OF THE TESTIMONY YOU ARE**
17 **PRESENTING IN THIS CASE?**

18 A. The purpose of my rebuttal testimony is to respond to the testimony
19 of Mr. Kevin O'Donnell, who testifies on behalf of the South Carolina
20 Energy Users Committee. Mr. O'Donnell suggested that SCE&G has not
21 sufficiently attempted to market the capacity represented by the 250

1 megawatt (“MW”) wholesale power contract that is due to expire on
2 December 31, 2012. As I explain in my testimony, this is not the case.

3 **Q. WHAT FAMILIARITY DO YOU HAVE WITH THE MARKETS**
4 **AND POTENTIAL CUSTOMERS FOR ELECTRIC ENERGY AND**
5 **CAPACITY IN THIS AREA?**

6 A. My department monitors the wholesale power market in our region
7 on a constant basis and looks for opportunities to purchase and sell electric
8 power for the benefit of our customers and to fulfill our Company’s service
9 obligations. As to short term opportunities, we have a fully staffed power
10 trading desk that monitors markets on a 24-hour, seven days per week
11 basis. Concerning longer term transactions, we maintain excellent business
12 relationships with the investor-owned, municipal, and cooperative electric
13 suppliers throughout the Southeast. We pay close attention to suppliers
14 who have upcoming supply needs that we might meet or who may have
15 capacity and/or energy available to sell to us. We routinely call on these
16 entities when the potential exists for a power sale or purchase.

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1 **Q. MR. O'DONNELL HAS TESTIFIED THAT HE REPRESENTS 11**
2 **MUNICIPALITIES IN THE SOUTHEAST AND THE HE IS NOT**
3 **AWARE OF ATTEMPTS BY SCE&G TO MARKET POWER TO**
4 **THEM. FROM THIS HE CONCLUDES THAT SCE&G'S**
5 **ATTEMPTS TO MARKET THE CAPACITY REPRESENTED BY**
6 **THE 250 MW CONTRACT HAVE BEEN "INSUFFICIENT." HOW**
7 **DO YOU RESPOND?**

8 A. I am generally aware of the municipal electric groups with whom
9 Mr. O'Donnell consults, but I am not aware of the specific entities.
10 Nonetheless, I believe that Mr. O'Donnell is referring to smaller municipal
11 electric systems that generally have loads of ten to twenty MWs or less.
12 Most of these entities' supply contracts are reported publicly on the
13 FERC's electric quarterly report database. For those contracts that are
14 reported, we know when their existing power supply contracts were entered
15 into, what their principal terms are, and when they are intended to expire.
16 As I discuss later in my testimony in more detail, the smaller systems to
17 which I believe Mr. O'Donnell is referring did not have a need for power
18 during the 2013 – 2015 time period, which was a fact that SCE&G was
19 aware of from its review of publically available data. Therefore, SCE&G
20 decided not to actively work to market power to them because they had no
21 need for power. SCE&G's market effort was in no sense "insufficient."

1 **Q. WHO SERVES THESE TYPES OF SMALL MUNICIPAL**
2 **CUSTOMERS?**

3 A. Today, with very few exceptions, the smaller municipalities and
4 cooperatives are served by either the larger municipal or cooperative groups
5 in the states (such as North Carolina Electric Membership Corporation,
6 Electricities of North Carolina, or Municipal Electric Authority of Georgia)
7 or by their local “native load” utility, which is the utility that operates the
8 transmission system in their area (such as Duke Energy Carolinas, Progress
9 Energy Carolinas, Georgia Power, and Santee Cooper).

10 **Q. WHAT SORT OF CONTRACTS DO THESE CUSTOMERS**
11 **TYPICALLY HAVE?**

12 A. In almost all cases, small municipal customers are served under full
13 requirements contracts. During the terms of these contracts, the customers
14 must buy all their power from their supplier, who is usually their native
15 load provider, a state-wide cooperative, or a municipal group. Being served
16 in this manner generally creates significant advantages to these customers
17 in terms of fuel costs, priority of service, and transmission charges. These
18 full-requirements contracts make purchases from other entities
19 economically unreasonable, and sometimes specifically contractually
20 prohibit such purchases from other utilities.

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1 **Q. WHEN DO THESE CONTRACTS EXPIRE?**

2 A. In almost all cases today, small municipal customers in this region
3 are served under contracts with terms of 10 years or longer. The great
4 majority of these contracts were signed or renewed during the period of
5 rapidly rising electric demands and shrinking capacity in the 2007- 2008
6 period. With few exceptions, these contracts will not begin to expire until
7 2017.

8 **Q. WHAT WAS SCE&G'S CAPACITY POSITION DURING 2007-2008?**

9 A. During this time, even with the anticipated expiration of the 250
10 MW wholesale power contract, SCE&G was anticipating major capacity
11 purchases in the 2013-2015 period leading up to the completion of Unit 2 at
12 V.C. Summer Station. In the 2007- 2008 period, SCE&G expected to be a
13 buyer not a seller of capacity after 2012.

14 **Q. WHAT HAPPENS WHEN THESE CONTRACTS APPROACH**
15 **THEIR EXPIRATION DATES?**

16 A. When these long-term contracts are about to expire, the customers
17 will likely issue a Requests for Proposals ("RFP") for power supply
18 contracts. This usually takes place about one year before the expiration
19 date of their current contract. It is in the months before such RFPs are
20 issued that potentially competing suppliers like SCE&G call on these
21 customers to discuss their needs and situations. We use those calls to
22 familiarize the customers with the Company and to see what the customers'

1 interests and requirements will be and to ensure we are included in the RFP
2 solicitation.

3 **Q. WHY DID SCE&G REPRESENTATIVES NOT CALL ON THE**
4 **SMALLER MUNICIPAL SYSTEMS IN RECENT MONTHS?**

5 A. As mentioned above, until electric demands declined in late 2008,
6 SCE&G did not have significant electric capacity to sell. Currently, there is
7 no opportunity to sell power to the smaller systems municipal systems
8 because they have full requirements electric supply contracts that are not
9 going to expire for some years. At the appropriate time, we will assess our
10 capacity situation and the customers' needs and begin calling on those
11 municipalities to determine if there is any possibility of serving them. But
12 the time to do so is still some months and years away.

13 **Q. DOES SCE&G HAVE LONG TERM CAPACITY TO SELL?**

14 A. No, SCE&G does not have long-term capacity to sell today. As
15 indicated in the Company's 2012 Integrated Resource Plan, or "IRP",
16 SCE&G will not have capacity above its target reserve margin in any year
17 during the forecast period and will be slightly below the lower end of the
18 target range in 2015 and 2016.

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1 **Q. WHAT CUSTOMERS DO YOU CALL ON OTHER THAN THE**
2 **MUNICIPAL CUSTOMERS THAT MR. O'DONNELL**
3 **REPRESENTS?**

4 A. In this region, there are a number of larger municipal and
5 cooperative power associations that serve as power aggregators for their
6 members. These customers do not usually take full requirements service
7 but maintain a portfolio of supply agreements and resources from multiple
8 providers. It is possible to sell shorter term power supplies to these
9 customers. It is also possible to tailor agreements with them that take into
10 account the specific limitations that a company like SCE&G might have on
11 the supplies of power it has available to sell. SCE&G calls on these
12 customers regularly and our representatives visit these customers routinely
13 to keep up with their needs and opportunities to serve them.

14 **Q. HAS SCE&G FAILED TO SUFFICIENTLY MARKET POWER TO**
15 **POTENTIAL CUSTOMERS?**

16 A. No. SCE&G has not failed to sufficiently market power to potential
17 customers.

18 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

19 A. Yes, it does.